

# City of Detroit

## CITY COUNCIL

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TO: Sean Werdlow, Chief Financial Officer  
Finance Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

24.

DATE: April 27, 2005

RE: 2005-2006 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2005-2006 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Roger Short, Budget Department Director  
June Ellis, Budget Manager  
Kandia Milton, Mayor's Office

## **Finance Department (23)**

### **FY 2005-2006 Budget Analysis by the Fiscal Analysis Division**

#### **Summary**

The Finance Department is a General Fund agency. The recommended 2005-2006 budget totals \$46.2 million. The department's net tax cost is \$37.9 million, which is \$1.3 million (3.5%) lower, than the current year's net tax cost.

The Mayor recommends a net decrease of 42 positions.

#### **2004-2005 Surplus/(Deficit)**

The Administration anticipates that Finance will end the year with a \$2.2 million net surplus, which is the same projection as last year at this time. The surplus is due to departmental vacancies and Pension System reimbursement revenue due to Pension's involvement in developing the Defined Contribution Plan.

#### **Overtime**

The department has an overtime budget of \$709,000 in the current fiscal year. Through March 31, 2005, the department has spent \$508,000 in overtime, which is \$30,000 less than overtime expenditures spent through the same time last year.

For 2005-2006 the recommended budget for overtime is \$590,000.

#### **Personnel and Turnover Savings**

The Mayor recommends a reduction in force of 146 positions.

Following is information by appropriation comparing current FY 2004-2005 positions, March 31, 2005 filled positions and FY 2005-2006 recommended positions.

| <u>Appropriation/Program</u>                 | <u>Budgeted<br/>Positions<br/>FY 2004-05</u> | <u>Filled<br/>Positions<br/>03/31/2005</u> | <u>Mayor's<br/>Budget<br/>Positions<br/>FY 2005-06</u> | <u>Over/(Under)<br/>Actual to<br/>04/05 Budget</u> | <u>Mayor's<br/>Recommended<br/>Turnover</u> |
|--|--|--|--|--|---|
| <b>Finance Department (23)</b>               |  |  |  |  |   |
| <b>00058 Administration</b>                  | <b>7</b>                                     | <b>6</b>                                   | <b>7</b>   | <b>(1)</b>   | <b>\$ 57,108</b>                            |
| <b>00060 Assessments Division</b>            | <b>71</b>                                    | <b>56</b>                                  | <b>48</b>  | <b>(15)</b>  | <b>\$ 121,355</b>                           |
| <b>00061 Purchasing Division</b>             | <b>30</b>                                    | <b>25</b>                                  | <b>22</b>  | <b>(5)</b>   | <b>\$ -</b>                                 |
| <b>00063 Treasury Division</b>               | <b>70</b>                                    | <b>57</b>                                  | <b>49</b>  | <b>(13)</b>  | <b>\$ -</b>                                 |
| 230020 Project Administration                | 8  | 10   | 5  | 2  | \$ -  |
| 230030 Accounts Payable                      | 18   | 14   | 12   | (4)  | \$ -  |
| 230060 Payroll Audit                         | 19   | 13   | 11   | (6)  | \$ -  |
| 230090 Debt Management                       | 7  | 5  | 5  | (2)  | \$ -  |
| 230100 Risk Management                       | 31   | 26   | 22   | (5)  | \$ -  |
| 230130 General Accounting                    | 30   | 22   | 21   | (8)  | \$ -  |
| <b>00245 Accounts Division - Admin.</b>      | <b>113</b>                                   | <b>90</b>                                  | <b>76</b>  | <b>(23)</b>  | <b>\$ -</b>                                 |
| <b>00246 Accts.-Pen. &amp; Employee Ben.</b> | <b>42</b>                                    | <b>37</b>                                  | <b>42</b>  | <b>(5)</b>   | <b>\$ -</b>                                 |

|   | Budgeted          | Filled            | Mayor's           | Over/(Under)       | Mayor's                  |
|---|-------------------|-------------------|-------------------|--------------------|--------------------------|
|   | Positions         | Positions         | Budget            | Actual to          | Recommended              |
| Appropriation/Program                     | FY 2004-05        | 03/31/2005        | FY 2005-06        | 04/05 Budget       | Turnover                 |
| <b>00247 Accts.-City Income Tax Oper.</b> | <b>86</b>         | <b>66</b>         | <b>57</b>         | <b>(20)</b>        | <b>\$ -</b>              |
| <b>00832 Dept. Accounting Oper.</b>       | <b>72</b>         | <b>63</b>         | <b>42</b>         | <b>(9)</b>         | <b>\$ -</b>              |
| <b>10674 Office of Targeted Bus. Dev.</b> | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>           | <b>\$ -</b>              |
| <b>10883 Living Wage Compliance</b>       | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>           | <b>\$ -</b>              |
| 23XXX Unmatched                           | 0                 | 0                 | 0                 | 0                  | \$ -                     |
| 23XXXX Leave of Absence                   | 0                 | (3)               | 0                 | (3)                | \$ -                     |
| <b>TOTAL</b>                              | <b><u>491</u></b> | <b><u>397</u></b> | <b><u>343</u></b> | <b><u>(94)</u></b> | <b><u>\$ 178,463</u></b> |

### Proposed Layoffs and Vacant Position Reductions

The 2005-2006 Budget has a net reduction of 146 positions that includes the layoff of 115 employees - 69 in March and 46 recommended for July.

| <u>Org.</u> | <u>Appropriation/Cost Center</u>           | <u>Title</u>                        | <u>Add/Deletes</u> | <u>Comments</u> |
|-------------|--|-------------------------------------|--------------------|-----------------|
|             | 230120 Assessments                         | Manager I Finance                   | (2)                |                 |
|             |  | Business Support System Specialist  | (1)                |                 |
|             |  | Supervisor - Assessment Rec & Admin | (1)                |                 |
|             |  | Appraiser III                       | (7)                |                 |
|             |  | Appraiser II                        | 4                  | Layoff 7/1      |
|             |  | Appraiser I                         | (3)                | Layoff 7/1      |
|             |  | Appraisal Technician I              | (5)                | Layoff 7/1      |
|             |  | Sr. Assoc. Civil Eng – Design       | (1)                |                 |
|             |  | Senior Stenographer                 | (1)                |                 |
|             |  | Senior Clerk                        | (2)                |                 |
|             |  | Office Assistant III                | (3)                |                 |
|             |  | Clerk                               | (1)                | Layoff 7/1      |
|             | 230080 Purchasing                          | Business Support System Specialist  | (1)                |                 |
|             |  | Principal Purchases Agent           | (1)                |                 |
|             |  | Purchases Agent III                 | (4)                |                 |
|             |  | Purchasing Assistant                | (1)                |                 |
|             |  | Head Clerk                          | (1)                |                 |
|             | 230070 Treasury                            | Principal Accountant                | (1)                |                 |
|             |  | Senior Accountant                   | (2)                |                 |
|             |  | Head Clerk                          | (2)                |                 |
|             |  | Revenue Collections Specialist      | (1)                |                 |
|             |  | Principal Clerk                     | (5)                |                 |
|             |  | Senior Teller                       | (2)                | Layoff 7/1      |
|             |  | Senior Clerk                        | (3)                | Layoff 7/1      |
|             |  | Office Assistant III                | (2)                | Layoff 7/1      |
|             |  | Clerk                               | (3)                |                 |
|             | 230020 Accounts Div/Project Adminsitration | Principal Accountant                | (1)                |                 |
|             |  | Senior Accountant                   | (2)                |                 |
|             | 230030 Accounts Div/Accounts Payable       | Principal Clerk                     | (1)                |                 |
|             |  | Clerk                               | (1)                |                 |
|             |  | Office Assistant II                 | (1)                | Layoff 7/1      |
|             |  | Senior Voucher Audit Clerk          | (2)                |                 |
|             |  | Voucher Audit Clerk                 | (1)                |                 |

| <u>Org.</u>  | <u>Appropriation/Cost Center</u>   | <u>Title</u>                   | <u>Add/Deletes</u> | <u>Comments</u> |
|--------------|------------------------------------|--------------------------------|--------------------|-----------------|
| 230060       | Accounts Div/Payroll Audit         | Senior Accountant              | (2)                |                 |
|              |                                    | Principal Governmental Analyst | (1)                |                 |
|              |                                    | Administrative Specialist      | (1)                |                 |
|              |                                    | Sr. Payroll Audit Clerk        | (3)                | Layoff 7/1      |
|              |                                    | Payroll Audit Clerk            | (2)                |                 |
|              |                                    | Manager II – Finance           | 1                  | New FTE         |
| 230090       | Accounts Div/Debt Management       | General Manager                | (1)                |                 |
|              |                                    | Office Assistant III           | (1)                | Layoff 7/1      |
| 230100       | Accounts Div/Risk Management       | Manager I Finance              | (1)                | Layoff 7/1      |
|              |                                    | Worker Compensation Analyst    | (1)                |                 |
|              |                                    | Safety Officer                 | (4)                | Layoff 7/1      |
|              |                                    | Assistant Safety Officer       | (2)                | Layoff 7/1      |
|              |                                    | Office Assistant II            | (1)                | Layoff 7/1      |
| 230130       | Accounts Div/General Acctg.        | Manager II – Finance           | (1)                | Layoff 7/1      |
|              |                                    | Principal Accountant           | (2)                |                 |
|              |                                    | Senior Accountant              | (3)                |                 |
|              |                                    | Principal Clerk                | (2)                |                 |
|              |                                    | Office Assistant III           | (1)                |                 |
| 230110       | Income Tax                         | Manager II – Finance           | (1)                |                 |
|              |                                    | Senior Accountant              | (5)                |                 |
|              |                                    | Senior Income Tax Investigator | (2)                | Layoff 7/1      |
|              |                                    | Income Tax Investigator        | (4)                | Layoff 7/1      |
|              |                                    | Senior Clerk                   | (3)                |                 |
|              |                                    | Clerk                          | (10)               |                 |
|              |                                    | Office Assistant II            | (4)                |                 |
| 230050       | Departmental Accounting Operations | Manager II – Finance           | 1                  | New FTE         |
|              |                                    | Manager I – Finance            | (1)                | Layoff 7/1      |
|              |                                    | Principal Accountant           | (6)                | Layoff 7/1      |
|              |                                    | Senior Accountant              | (12)               | Layoff 7/1      |
|              |                                    | Semi - Senior Accountant       | (5)                |                 |
|              |                                    | Sr. Governmental Analyst       | (1)                |                 |
|              |                                    | Senior Clerk                   | (2)                |                 |
|              |                                    | Office Assistant III           | (2)                |                 |
|              |                                    | Office Assistant II            | (2)                | Layoff 7/1      |
|              |                                    | Accountant I                   | 2                  | New Title       |
| <b>Total</b> |                                    |                                | <b>(146)</b>       |                 |

### Budgeted Professional and Contractual Services by Activity

#### **Finance (23)**

| Budgeted Professional and Contractual Services by Activity | FY 2004-05<br><u>Budget</u> | FY 2005-06<br><u>Recommended</u> | Increase<br><u>(Decrease)</u> |
|--|-----------------------------|----------------------------------|-------------------------------|
| Administration   | \$ -                        | \$ -                             | \$ -                          |
| Assessments  | 364,651                     | 286,960                          | (77,691)                      |
| Purchasing   | -                           | -                                | -                             |
| Treasury   | 611,400                     | 325,130                          | (286,270)                     |
| Accounting Operations                                      | 94,031                      | 48,133                           | (45,898)                      |

## Finance (23)

| Budgeted Professional and Contractual Services by Activity | FY 2004-05<br>Budget       | FY 2005-06<br>Recommended  | Increase<br>(Decrease)     |
|--|----------------------------|----------------------------|----------------------------|
| Income Tax Operation                                       | 296,000                    | 154,121                    | (141,879)                  |
| Pension & Employee Benefits                                | <u>2,740,450</u>           | <u>2,719,800</u>           | <u>(20,650)</u>            |
| <b>Total</b>   | <b><u>\$ 4,106,532</u></b> | <b><u>\$ 3,534,144</u></b> | <b><u>\$ (572,388)</u></b> |

### Significant Funding Changes

Building Rental is projected to drop by \$426,000.

IT contractual services are cut by \$141,000 or 58% in Income Tax.

Departmental-wide postage accounts of \$1.2 million are being transferred to ITS for a new mailroom.

Treasury is cutting contractual services by \$286,000.

### Significant Revenue Changes

The reimbursement from Pension Division decreases by \$500,000 due to the division's reduction in appropriations.

### Issues and Questions

1. The administration has committed \$500,000 from the general fund for the last 2 years to the implementation of the Defined Contribution Plan, and it is recommended in the 2005-2006 budget. What has been accomplished so far? Have the funds been spent?
2. In the 2004-2005 recommended budget, the Pension Division's narrative said that the Defined Contribution Plan would be implemented in 2005. Will that be in the upcoming fiscal year? Can this plan be implemented with the existing payroll system?
3. With the severe cuts in staff and technical support to Income Tax, the division has been cut by 40%. Why has nothing been mentioned about "piggybacking" our income tax form onto the state's form? This is what many cities in other states do. Has anyone approached the state treasurer about implementing this?
4. How will Treasury be able to operate with 21 less workers, as well as Payroll Audit with an 8-person force reduction? Accounts Payable will also see a 6-person reduction. General Accounting will have 9 fewer positions. Please provide council with a copy of a reengineering plan design and an implementation timeline.
5. In this citywide budget that includes many reductions, **not one function has been completely cut.** That means the same number of financial accounts have to be maintained. How is this going to happen with 37 fewer accountants, from both Departmental Accounting as well as the General Accounting section?

The lack of consistent, monthly bookkeeping, journal entry work and reconciling of accounts is the main reason the CAFR takes so long to produce now.

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